

# **COUNTY OF LOS ANGELES** DEPARTMENT OF AUDITOR-CONTROLLER

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ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS JOHN NAIMO MARIA M. OMS

September 10, 2008

TO:

Supervisor Yvonne B. Burke, Chair

Supervisor Gloria Molina Supervisor Zev Yaroslavsky Supervisor Don Knabe

Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe Why J. Walanke Acting Auditor-Controller

SUBJECT:

ARBOR EDUCATION & TRAINING, LLC - EAST LOS ANGELES

**EMPLOYMENT AND BUSINESS CENTER CONTRACT REVIEW - A** COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT

**ACT PROGRAM PROVIDER – FISCAL YEAR 2007-08** 

We completed a program, fiscal and administrative contract compliance review of Arbor Education & Training, LLC - East Los Angeles Employment and Business Center (Arbor E & T or Agency), formerly known as the Affiliated Computer Services - East Los Angeles Employment and Business Center, a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

#### Background

CSS contracts with Arbor E & T, a limited liability partnership to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs, and increase their earnings. The types of services provided by Arbor E & T include occupational skills training, job placement and career planning. Arbor E & T's offices are located in the First and Fourth Districts.

Arbor E & T is compensated on a cost reimbursement basis and had a contract for \$1,067,266 for Fiscal Year (FY) 2007-08.

# Purpose/Methodology

The purpose of the review was to determine whether Arbor E & T complied with its contract terms and appropriately accounted for and spent WIA funds in providing the

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services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

# **Results of Review**

Arbor E & T met their FY 2007-08 second quarter performance outcomes outlined in the County contract and provided the required program services to eligible participants. However, Arbor E & T did not always comply with WIA and County contract requirements. For example, Arbor E & T did not:

- Establish an operational Memorandum of Understanding (MOU) for one (8%) of the 12 partnering agencies and the other 11 MOUs did not contain all the required elements as required by WIA guidelines.
- Always obtain two signatures on all checks as required by the County contract.
- Maintain appropriate documentation to support the payroll expenditures for one employee totaling \$560.

Details of our review, along with recommendations for corrective action, are attached.

# Review of Report

We discussed our report with Arbor E & T and CSS on June 18, 2008. In their attached response, Arbor E & T concurred with our findings and recommendations.

We thank Arbor E & T for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

#### Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Paul G. Dunn, President, Arbor Education & Training, LLC
Ronald G. Geary, Chairperson, Arbor Education & Training, LLC
Public Information Office
Audit Committee

# WORKFORCE INVESTMENT ACT PROGRAM ARBOR EDUCATION & TRAINING, LLC - EAST LOS ANGELES EMPLOYMENT AND BUSINESS CENTER FISCAL YEAR 2007-08

#### **ELIGIBILITY**

## **Objective**

Determine whether Arbor Education & Training, LLC - East Los Angeles Employment and Business Center (Arbor E & T or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

# Verification

We reviewed the case files for 20 (9%) (10 adult and 10 dislocated workers) of the 225 participants that received services from July 2007 through February 2008 for documentation to confirm their eligibility for WIA services.

#### Results

All 20 participants met the eligibility requirements for the WIA programs.

# Recommendation

There are no recommendations for this section.

#### **BILLED SERVICES/CLIENT VERIFICATION**

#### Objective

Determine whether Arbor E & T provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

#### Verification

We reviewed the documentation contained in the case files for 20 (9%) participants that received services from July 2007 through February 2008. We also interviewed tenparticipants.

#### Results

The ten participants interviewed stated that the services they received met their expectations. In addition, Arbor E & T provided the services in accordance with the County contract and WIA guidelines.

There are no recommendations for this section.

#### PERFORMANCE OUTCOME REVIEW

# **Objective**

Determine whether Arbor E & T met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB).

# **Verification**

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes for the second quarter to the planned performance measures outlined in the County contract and to the program activities reported on the Job Training Automation (JTA) system. We also reviewed the documentation contained in the case files for ten Adult and ten Dislocated Worker participants reported as having exited the program, completed training and/or gained employment during the first two quarters of FY 2007-08.

## Results

Arbor E & T met the planned performance outcomes as outlined in the County contract. However, Arbor E & T did not accurately report their performance outcomes for the WIA Adult and Dislocated Worker Programs to CSS who then forwards the results to the WIB. Specifically, Arbor E & T reported that the Agency had 87 actual enrollments for the WIA Dislocated Worker Program. However, the JTA system reported that Arbor E & T actually had 84 enrollments for the WIA Dislocated Worker Program. Even though there was a difference in the activities reported, Arbor E & T met their FY 2007-08 performance outcomes.

#### Recommendation

1. Arbor E & T management ensure that the performance outcomes are accurately reported to the Workforce Investment Board.

# **CASH/REVENUE**

## **Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash, and other liquid assets.

3. Arbor E & T management maintain adequate documentation to support program expenditures.

#### ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

# **Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

#### Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

#### Results

Arbor E & T maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

# **Recommendation**

There are no recommendations for this section.

#### **FIXED ASSETS AND EQUIPMENT**

#### Objective

Determine whether Arbor E & T's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

#### Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 16 items purchased with WIA funds.

#### Results

Arbor E & T used the items purchased with WIA funding for the WIA programs and the items were safeguarded.

## Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's January 2008 bank reconciliation.

#### Results

Arbor E & T maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, Arbor E & T did not always obtain two signatures on all checks as required by the County contract.

## Recommendation

2. Arbor E & T management obtain two signatures on all checks.

#### **EXPENDITURES/PROCUREMENT**

# **Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

# **Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 27 non-payroll expenditure transactions billed by the Agency for July and November 2007, totaling \$72,257.

#### Results

Arbor E & T billed CSS \$34,356 in unsupported rent expenditures. Specifically, Arbor E & T did not maintain adequate documentation to support the amounts allocated for July and November 2007 rent expenditures. In addition, Arbor E & T billed CSS 100% of their monthly rent expenditures even though a portion of the facility was also accommodated the State of California Employment Development Department (EDD). According to Agency management, EDD moved into Arbor E & T's facility in November 2006. However, as of February 2008, Arbor E & T had not yet finalized their lease agreement with EDD. As such, Arbor E & T billed CSS 100% of the net monthly rent expenditures because EDD's portion of the rent expenditures could not be determined.

Subsequent to our review, Arbor E & T provided documentation to support the rent allocations, a copy of the finalized lease agreement with EDD and their April and May 2008 adjusting entries crediting CSS with EDD's portion of the FY 2007-08 rent expenditures.

## **Verification**

We reviewed the Cost Allocation Plan and the operational MOUs. We also reviewed a sample of expenditures incurred by the Agency in July and November 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

#### Results

Arbor E & T did not establish an operational MOU for one (8%) of the 12 partnering agencies and the other 11 MOUs did not contain all the elements as required by WIA guidelines. Specifically, the 11 MOUs did not adequately identify the referral methods between programs, the MOU modification process and/or funding arrangements, otherwise known as the Resource Sharing Agreement (RSA). As such, we could not always determine whether Arbor E & T appropriately applied the RSA to their shared program expenditures.

Subsequent to our review, Arbor E & T provided a copy of an operational MOU for the one partnering agency. However, similar to the other 11 MOUs, the MOU did not identify the methods of referral between programs, the MOU modification process and funding arrangements as required by the WIA guidelines.

## Recommendation

5. Arbor E & T management establish WIA compliant operational MOUs with all partnering agencies participating in providing services through the One-Stop Center as required.

#### **CLOSE-OUT REVIEW**

## **Objective**

Determine whether the Agency's FY 2006-07 final close-out invoices for the WIA Adult and Dislocated Worker programs reconciled to the Agency's financial accounting records.

## **Verification**

We traced the Agency's FY 2006-07 general ledgers to the Agency's final close-out invoices for FY 2006-07. We also reviewed a sample of expenditures incurred in April, May and June 2007.

#### Results

Arbor E & T's FY 2006-07 general ledgers reconciled to the Agency's final close-out invoices for FY 2006-07.

There are no recommendations for the section.

# PAYROLL AND PERSONNEL

## **Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

# **Verification**

We traced the payroll expenditures invoiced for 12 employees totaling \$36,588 for November 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed personnel files for five employees assigned to the WIA programs.

## Results

Generally, Arbor E & T appropriately charged payroll expenditures to the WIA programs and the personnel files were maintained as required. However, Arbor E & T did not maintain appropriate documentation to support payroll expenditures for one employee totaling \$560. Specifically, the employee's timecard was not signed by the employee or approved by the supervisor.

#### Recommendations

**Arbor E & T management:** 

Refer to Recommendation 3.

4. Repay CSS \$560.

# COST ALLOCATION PLAN/MEMORANDUM OF UNDERSTANDING

#### Objective

Determine whether Arbor E & T's Cost Allocation Plan and operational Memorandum of Understanding (MOU) were prepared in compliance with WIA and County contract requirements. In addition, determine whether the Agency used the Cost Allocation Plan and MOUs to appropriately allocate shared program expenditures. Arbor E & T is a One-Stop Center required to have MOUs with all partnering agencies. WIA guidelines require the One-Stop Center lead agency to establish an operational MOU with all partnering agencies participating in providing services through the One-Stop Center.

There are no recommendations for this section.

## PRIOR YEAR FOLLOW-UP

# **Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

## Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on October 4, 2007.

# Results

The prior year's monitoring report contained five recommendations. Arbor E & T implemented all five recommendations.

## Recommendation

There are no recommendations for this section.



July 9, 2008

Wendy L. Watanabe, Acting Auditor – Controller Department of Auditor Controller Countywide Contract Monitoring Division 1000 South Fremont Avenue. Unite #51 Alhambra, CA 91803

Attention: Yoon Bae, CPA, Principal Accountant Auditor

RE: Response to PY07-08 WIA Program Monitoring Report

Dear Ms. Watanabe:

This letter is in response to the findings and recommendations contained in your monitoring report for Arbor Education and Training LLC -- East Los Angeles WorkSource Center.

Recommendation # 1 - Arbor-ELA management ensure that the performance outcomes are accurately reported to the Workforce Investment Board.

Response: Arbor E & T concurs with the recommendation and has already taken steps to improve its internal performance monitoring and reporting processes.

For clarification however, Arbor does not report performance outcomes directly to the WIB. Rather, Arbor receives for review performance reports that are generated by CSS. Arbor is requested to compare performance data contained in the county report to the most current performance data for the same period that is contained in the State EDD managed JTA MIS System to validate for accuracy before CSS completes its report to the WIB.

Starting immediately, Arbor will revise its internal review process by maintaining a record of all draft performance reports transmittal by the county for review together with State EDD JTA MIS generated reports used to verify performance outcome data and also document any discrepancies reported to CSS. It is also Arbor's intent to continue to work closely with CSS to assure that the WIB, and all other WIA stakeholders, receive timely, complete and accurate information on performance outcomes.

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#### Recommendation #2 - Arbor-ELA obtain two signatures on all checks

Response: Arbor E & T concurs with the recommendation and will assure that all local generated checks contain the required two signatures consistent with Arbor's financial management procedures to ensure "checks and balances" to safeguard for proper use of funds.

Recommendation # 3 - Arbor-ELA management maintain adequate documentation to support program expenditures

Response: Arbor E & T concurs with the recommendation and the matter surrounding this issue has been resolved. In June, Arbor's received from the State Employment Development Department (EDD) a fully executed sub-lease agreement to support the rent allocation and has adjusted entries crediting CSS with EDD's portion of the PY07-08 rent expenditures. Required documentation is maintained by Arbor to support all other program expenditures and remains in substantial compliance with all financial regulatory and contract requirements.

#### Recommendation # 4 - Repay CSS \$560

Response: Arbor E & T concurs with the recommendation and will credit the County the full amount of \$560 in its June invoice that will be submitted to the County on July 10. The amount at issue was to support the payroll expenditure for one Arbor employee from the corporate office to conduct a one day on-site independent evaluation review of the ELA program, including a telephone interview with CSS WIA staff, in conjunction with Arbor's National Quality Solutions Review Initiative. While this is a proper and allowable activity, Arbor agrees to assume the cost for this activity.

Recommendation # 5 - Arbor - ELA management establish WIA compliant operation MOU's with all partnering agencies participating in providing services through the One-Stop as required.

Response: Arbor E & T concurs with the recommendation and has already corrected this matter by having the California State Department of Rehabilitation, an Arbor on-site partner organizations, execute an MOU on June 18.

Furthermore, starting July 21, Arbor will schedule individual meeting with the other 11 partner agencies to update and/or amend existing MOU's as appropriate to assure that they comply with WIA guidelines. It is anticipated that this process will be completed by August 31.

Please let me know if you require any additional information.

Again, thank you for giving Arbor an opportunity to respond to your report findings and recommendations.

Respectfully submitted,

Manuel Cons Director